

# Wealth Markets and Commerce

## Finance - Economics

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Friday, November 2, 1917

An abrupt and spectacular turn in the course of prices marked the opening of the Stock Exchange. Coming as the climax to a decline which had been going on almost without interruption for two months, Thursday's slump had put Wall Street's nerves on edge. The outlook seemed exceedingly gloomy even to the most conservative. But the measures taken by the government of the exchange to establish an official record of short sales, so that the blame for bear raiding, whether of enemy origin or not, might be placed squarely where it belonged, effectually checked the demoralization. There was an immediate rush by those who previously had sold short for the fall to cover their commitments, and as a result prices of the more active issues opened several points above the closing prices of the preceding session. Some profit taking ensued and prices receded a point or more, but there they met with strong support, presumably from the banks and other large interests, and danger of a crash, which had seemed possible on Thursday, was averted. Most issues held a large part of the early advances and the majority closed with substantial net gains.

Because the market recovered when bear raiding was put under the ban, it does not necessarily follow that the great shrinkage in security values has been due to short selling, or even that short selling has been the main factor in the decline. On the contrary, it is probable that short selling has played only a minor part in bringing prices down to present levels. Undoubtedly "bear raiding" has at times helped to accelerate the decline and thereby has forced some liquidation, but the chief trouble has been real selling of real stocks. For instance, there is good reason for believing that large blocks of securities have been sold here by the agents for the British government. Selling of this character has probably been going on at intervals for a number of months. Also rich men sold heavily, and, later, small investors dumped stocks. One day not long ago bear raiders were bitterly denounced for an attack on Steel common, when investigation disclosed that short selling was only a minor factor in the market. On that occasion it is understood that sales of more than 50,000 shares were traced to one source, and not a share of it was for short account. The fact remains, however, that "bear raiding" has helped to make an unfavorable stock market situation more acute, and the action of the board is therefore to be commended.

Bonds have been declining almost as sensationally as stocks and the average price of ten high grade issues is now about 11 points below the high point of the year. The market is still heavy, but it is interesting to note that the tendency of municipals recently has been against the drift of the market. For the past month municipals have declined very little, and in some cases they have even advanced slightly. As to the prospects for new issues, "The Daily Bond Buyer," an authority on the subject, says it is probable that a demand for securities exempt from taxation will, between now and the opening of the third Liberty Loan offering, absorb all the new bonds that must be sold without unfavorably affecting selling values.

Sales of long-term state and municipal bonds in the United States for October and the ten months ended October 30 compare as follows:

	Month of	Ten months ended
1917.....	October.	October 30.
1917.....	\$21,753,151	\$424,556,868
1916.....	\$6,945,946	\$433,385,461
1915.....	\$7,620,693	\$419,411,375
1914.....	\$11,332,910	\$382,195,218
1913.....	\$3,772,990	\$27,867,224

## Money and Credit

Call money was in fairly liberal supply at the Stock Exchange yesterday and loaned freely throughout the day at 4 per cent, the same as on Thursday. In the market for fixed date loans based on Stock Exchange collateral a slightly firmer tendency was noticeable. Banking institutions did not increase their offerings, and borrowers were reported to have bid as high as 6 per cent for loans over the year. Rates quoted on loans secured by industrial securities were 5 1/2 to 6 per cent for sixty days, 5 1/2 per cent for ninety days and four months, and 5 1/2 to 6 per cent for five and six months' maturities.

Ruling rates for money yesterday, compared with a year ago, were as follows:

	Yesterday.	Year ago.
Call money.....	4%	2 1/4%
Time money (mixed collateral):		
60 days.....	5 1/2 to 5 3/4%	3%
90 days.....	5 1/2 to 5 3/4%	3 1/4%
4 months.....	5 1/2 to 5 3/4%	3 1/2%
6 to 6 months.....	5 1/2 to 5 3/4%	3 1/2 to 3 3/4%

Commercial Paper.—Offerings of high grade paper were taken more

Official rates of discount for each of the twelve Federal districts are as follows:

	Days	Over 15 days	Over 30 days	Over 60 days
Boston.....	3/4	4	4	4
New York.....	3/4	4	4	4
Philadelphia.....	3/4	4	4	4 1/2
Cleveland.....	3/4	4	4	4 1/2
Richmond.....	3/4	4	4	4 1/2
St. Louis.....	3/4	4	4	4 1/2
Chicago.....	3/4	4	4	4 1/2
San Francisco.....	3/4	4	4	4 1/2

**Bank Clearings.**—The daily clearings at New York and other cities:

	Exchanges.	Balances.
New York.....	\$771,250,531	\$69,533,191
Baltimore.....	9,095,557	1,267,737
Boston.....	56,249,795	6,075,794
Chicago.....	52,222,230	7,658,975
St. Louis.....	63,819,361	8,746,008
Philadelphia.....	28,565,171	6,074,672

**Sub-Treasury.**—New York banks gained from the Sub-Treasury \$346,000.

**Silver.**—Bars in London, 45 1/4, off 1/4; New York, 88 1/2, a decline of 1/2; Mexican dollars, 63 1/2, unchanged.

**Assay Office Gold Operations.**—The local assay office in October exchanged \$4,842,892 in gold bars for gold certificates presented by jewelers and other manufacturing interests.

**London Money Market.**—LONDON, Nov. 2.—Money was in good supply at 4 per cent and discount rates were easy today, with short bills quoted at 4 1/2 per cent and three-months' bills at 4 3/4 per cent.

**Bank of France Statement.**—PARIS, Nov. 2.—The weekly statement of the Bank of France shows the following changes, in francs:

Gold in hand.....	1,402,000
Silver in hand.....	1,819,000
Notes in circulation.....	1,310,000
Treasury deposits.....	12,311,000
General deposits.....	12,544,000
Bills discounted.....	12,747,000
Advances.....	3,119,000

**The Dollar in Foreign Exchange.** Erratic fluctuations characterized the market for Scandinavian and Italian exchange yesterday. Stockholm cables were quoted as high as 47 1/2 cents, up 1/2 cents; Christiania cables, 38 1/2 cents, up 1/2 cents; Copenhagen cables, 39 1/2 cents, up 1/2 cents. There were all new high records for the war period. In some quarters the rise in rates was attributed to the remittance of the proceeds of securities here by Scandinavian holders.

Italian exchange displayed a better tendency early in the day, when lire sold at 7.90, followed by a rally to 7.84.

Closing rates yesterday, compared with a week ago, are given in the table below. American bankers have suspended all dealings in German and Austrian exchange, so that daily quotations for these currencies are not given.

(Quoted dollars to the pound.)

	Yesterday.	Week ago.
Sterling, demand.....	\$4.75 1/2	\$4.75 1/2
Sterling, sixty days.....	4.75 1/2	4.75 1/2
Sterling, ninety days.....	4.75 1/2	4.75 1/2
French, demand.....	5.75 1/2	5.75 1/2
French, sixty days.....	5.75 1/2	5.75 1/2
French, ninety days.....	5.75 1/2	5.75 1/2
Swiss, demand.....	4.45	4.45
Swiss, sixty days.....	4.45	4.45
Swiss, ninety days.....	4.45	4.45

(Quoted cents to the unit.)

	Yesterday.	Week ago.
Guillemots, demand.....	49 1/2	49 1/2
Guillemots, sixty days.....	49 1/2	49 1/2
Guillemots, ninety days.....	49 1/2	49 1/2
Reubens, demand.....	13 1/2	13 1/2
Reubens, sixty days.....	13 1/2	13 1/2
Reubens, ninety days.....	13 1/2	13 1/2
Copenhagen, kr., checks.....	37.00	38.25
Pesetas, checks.....	23.55	23.30

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current	Intrinsic
Pounds, sterling.....	\$4.75 1/2	\$4.86 1/2
Francs.....	0.17 1/4	0.19 1/4
Reubens.....	0.05 1/2	0.06 1/2
Swiss, francs.....	0.13 1/2	0.15 1/2
Crowns (Denmark).....	0.39 00	0.26 8
Crowns (Sweden).....	0.47 00	0.26 8

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling at \$4.75 1/2. The intrinsic parity is \$4.86 1/2. The difference is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

**Bank of Montreal** Is 100 Years Old

The Bank of Montreal, one of Canada's big banking institutions, will celebrate its one hundredth anniversary today. The bank was founded by nine of the leading merchants of Montreal on November 3, 1817.

The amount of money with which it started business was \$25,000 and provision was made in the articles of association for a total stock issue of \$500,000. At the end of the first year's operations a dividend of 3 per cent was declared and since that time, with only two exceptions, the bank has made a substantial annual distribution to its shareholders.

During practically the entire 100 years of its existence the Bank of Montreal has acted as the fiscal agent of the Canadian government. Its capital has been increased from time to time to provide for business expansion until now the authorized amount is \$25,000,000, in addition to a reserve fund of \$10,000,000.

Public deposits rose from \$197,000 at the end of 1914 to over \$324,000,000 last April.

## Government Buying Keeps Trade at High Water Mark

The necessity of exercising caution at a time when prices are inordinately high is having an effect on business sentiment, but, according to "Broad Street's" view, and beyond any such conditions is the fact that trade, wholesale and jobbing, is good, that retail distribution is improving and that industry could not very well be more active.

"Of course," the trade journal says, "the stupendous buying campaign of the government, the greatest ever witnessed in the history of any country, overshadows everything else, and tends out to a veritable myriad of lines, thus creating superactivity, the true degree of which it is difficult to measure at this juncture. Of course, the government will continue to be the all-important factor in the general situation, the overwhelming success of the second Liberty Loan assuring vast expenditures for some time to come. But alongside of government demand, a good volume of ordinary business, most strikingly exhibited in the cotton and woolen goods, and in other sections where profitable prices are being realized for cereals."

"Dun's Review" this week says that "while ordinary demands, as distinguished from governmental requirements, hold up surprisingly well under the conditions, and in not a few instances are broadening, the changing character of consumption, with purchases more largely confined to staples, is a more conspicuous feature, and there is plain evidence of an increasing practice of economy in many directions. In all its branches business is dominated by the exigencies of the war period, and in some manufacturing lines, especially, there is continued waiting until more can be determined about the future."

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## Curb on Short Selling Causes Rally in Stocks

Lively Buying of Steel Common Features Rebound in Market

As a result of the steps unexpectedly taken by the governing committee of the Stock Exchange to ascertain the identity of short sellers, brokers and their customers who had short accounts outstanding made frantic efforts to cover their contracts at the opening of the market yesterday. Prices as a result rose in spectacular manner, in some cases climbing quite as rapidly as they fell during Thursday's decline.

**A Wild Opening.** United States Steel common, which unsettled the whole market the day before by dropping 7 1/2 points to 93 1/2, was again the outstanding feature. For many minutes before the opening of the market an excited crowd of brokers surrounded the Steel post and when the gong sounded there was a general scramble to execute buying orders.

The opening transaction officially recorded on the tape consisted of numerous orders bunched into a single order for 100 shares of Steel common at 97 1/2. This compared with a closing of 93 1/2 on Thursday and represented an overnight advance of 4 1/2 points. Within fifteen minutes the price had fallen to 95 1/2, after which the market began to quiet down. Steel closed at 96 1/2, a net gain of 2 1/2 points.

Sharp advances were recorded at the opening in other representative issues, General Motors climbing 7 1/2 points, Chesapeake & Ohio 4, Bethlehem Steel "B" 4 1/2 and Norfolk & Western 4. The majority of stocks closed with substantial net gains, although initial advances were not entirely held.

**Names Turned In.** Members of the governing board asserted that the Stock Exchange now has in its hands a most effective instrument for curbing short selling of a vicious character. It will take a few days, however, before the machinery of the new trading restriction comes into operation. The names of all borrowers and lenders of stocks were turned in yesterday by Stock Exchange houses in compliance with the request of the governing board. It is understood that the board is not examining the business conduct committee, which has supervision over the trading.

It is expected that the names of individuals engaged in short selling of stocks will be kept in confidence by the business conduct committee unless a situation arises where it will be to the advantage of the exchange to make them public. Such an occasion would arise if it should develop that a deliberate attempt had been made to depress prices.

**Short Selling Not Abolished.** The Stock Exchange authorities, it was learned, are prepared to deal drastically with any members seeking through some subterfuge or other to cover up the identity of interests engaged in short selling. Any member found to be involved in such a subterfuge is likely to be expelled from the Exchange.

**Minimum Prices Are Established by Pittsburgh Stock Exchange.** PITTSBURGH, Nov. 2.—All dealing on the local Stock Exchange today was subject to minimum prices established just before the hour for beginning business. The prices announced were the last sale on Thursday, or where no sale occurred, the last asking price of that date. The restriction does not apply to such stocks as Westinghouse Air Brake, Westinghouse Electric, Crucible Steel, Columbia Gas and Electric, Pittsburgh Coal and a few others which are listed in New York as well as Pittsburgh.

**American Type Foundries.**—Net profits for the year ended August 31, 1917, totaled \$404,641, compared with \$561,114 in the year preceding, and the balance, after common and preferred stock dividends, amounted to \$79,399, against \$38,872 a year ago. Total surplus, including the previous surplus, was \$308,199, an increase of \$49,015.

**Sears, Roebuck & Co.—Sales in October.** The company's production of copper in October, amounting to 22,300,000 pounds, showed an increase of 19,500,000 pounds over the preceding month, and also registered the largest output since May. The company produced 11,745,000 pounds in August, 12,400,000 in September, 12,400,000 in October, and 12,400,000 in November. Net after taxes aggregated \$4,955,449, compared with \$6,176,077. Net after taxes for the nine months was \$36,447,345, compared with \$36,025,328 in the corresponding period of 1916.

**Anaconda Copper Mining.**—This company's production of copper in October, amounting to 22,300,000 pounds, showed an increase of 19,500,000 pounds over the preceding month, and also registered the largest output since May. The company produced 11,745,000 pounds in August, 12,400,000 in September, 12,400,000 in October, and 12,400,000 in November. Net after taxes aggregated \$4,955,449, compared with \$6,176,077. Net after taxes for the nine months was \$36,447,345, compared with \$36,025,328 in the corresponding period of 1916.

**Significant Relations.** Money and Prices: Stock of money gold in the country..... \$3,060,991,378 \$2,548,241,473

Loans of all national banks..... \$9,055,000,000 \$9,859,837,000

Their surplus reserve..... \$91,000,000 \$91,000,000

badly. This really aggravated the situation. "This morning," said Mr. Barbour, "the securities committee of the exchange suggested that minimum prices should be established. I told them to prepare a resolution. This was unanimously approved by the board. The action was not suggested by banking or any other outside financial interests. It was taken to avoid needless sacrifice of absolutely good securities. I think it was justified by the substantial recovery in prices to-day."

The minimum prices established to-day will continue "until further notice." A new ruling made by the securities committee provides that the minimum prices shall be erased from the blackboard after they have stood for one hour without fluctuation. Heretofore in a dull market a quotation might be officially posted early in the morning and remain in effect for an hour or more, although an hour or four hours afterward no actual trading market existed at the posted prices and a radical change in the tenor of the general market might have occurred in the meantime.

The action of the Stock Exchange created no stir whatever in banking circles. In the trading to-day Westinghouse Air Brake rallied to \$98, closing at a net gain of \$3 a share. Manufacturers' Light and Heat was active with a range of \$51 to \$51 1/2. Ohio Fuel Supply advanced from \$42 to \$43 and American Window Glass \$4 to \$4 1/2. Outgoing stock sold at \$4 1/2. Outside these stocks the dealings were light.

**Railway Electrification.** City Bank Says It May Come on Large Scale After the War

The possibilities of railway electrification are especially interesting at this time because they suggest a vast field opening for construction work in this country and throughout the world, as soon as capital and labor can be had for it, according to the National City Bank. "There is naturally," the bank says, "a feeling of uncertainty and apprehension as to industrial conditions after the war. The demand for war material will fall off, the supply of labor on the market will be greatly increased, and it is a question whether all of this labor can be promptly placed in employment. It will be the most stupendous reorganization of industry ever known, and it is going to be a great social problem to accomplish this change without confusion, loss of confidence and a period of stagnation. It is important that plans be laid on a large scale to take up the slack, and other countries are laying them. In this country, ready at hand, is the task of equipping the railroads, and other industries where practicable, to operate by electric power. The undertaking would involve an enormous amount of work and of many kinds. Hydro-electric plants would require in construction a great amount of labor, cement, steel, and heavy machinery. The demand for copper would be great, for the supply of copper would be needed for the construction of electrical equipment of all kinds, including locomotives, would be very great, for the demand for copper for supplying electric power would cause electricity to be more generally adopted for all the industries. The amount of work in sight, if a general scheme of electrification were undertaken, would be sufficient to relieve the business community of its fears as to idleness and poor trade for some years to come, and would thus encourage the country to go ahead. The danger will be in a pervasive feeling of uncertainty, causing men to wait with their own plans until they can discern the general trend, and the waiting of itself slows down business. Large plants for the employment of labor which can be brought definitely forward at the critical time will serve to inspire confidence and support the whole situation."

**Big Crops in Argentina.** WHEAT YIELD IS ESTIMATED AT 5,600,000 TONS

BUENOS AYRES, Nov. 2.—According to the latest government crop estimates the wheat crop will total 5,600,000 tons; linseed, 500,000 tons, and oats, 1,200,000 tons, the figures indicating crops approaching or exceeding the records. It was considered too early to estimate the maize harvest. The harvesting of the other crops will begin on November 15.

**Receiver Takes Over.** BRIDGEPORT, Conn., Nov. 2.—William B. Boardman, of this city, was appointed to-day as receiver for the Bridgeport & New York Railroad Company, by Judge Howard J. Curtis, in the Superior Court here. The action was brought by the New York, New Haven & Hartford Railroad to wind up the affairs of the Bridgeport & New York Railroad.

**Other Cities.** NEW CARBIDE CORPORATION.—ALBANY, Oct. 2.—C. K. G. Billings, Myron T. Herriek and Charles A. Coffin, of New York, have incorporated the Union Carbide and Carbonum Corporation with a nominal capital of \$15,000,000. This concern, as recently announced, will take over the Union Carbide Company, the Prest-O-Lite Company and the Linde Air Products Company.

**Elections.** DENVER & RIO GRANDE.—Finley J. Shepard, who has acted as a negotiator with headquarters in New York to succeed Arthur Coppell, and James Russell, formerly with the St. Louis Southwestern Railway Company, has also been elected a vice-president, with headquarters in Denver, in place of Arthur E. Sweet. R. F. Watkins has been elected treasurer, to succeed Thomas H. Marshall, who has been made assistant treasurer.

**Corporation Returns.** CHICAGO & NORTH WESTERN

September gross..... \$10,148,267 \$9,308,479

Net after taxes..... 2,533,964 3,128,239

Central Railroad of New Jersey

September gross..... \$3,338,428 \$3,115,827

Net after taxes..... 1,061,517 1,232,785

## West Virginia Grants Higher Rates on Coal

Twelve Roads Benefited by Order on Intra-State Shipments

CHARLESTON, W. Va., Nov. 2.—The Public Service Commission late today entered an order allowing the applications of twelve railroads operating in West Virginia for permission to put into effect coal freight schedules providing for an advance of approximately 15 cents a ton intra-state traffic. The order provides that the new rates shall become effective to-day for the period of one year, or until the further action of the commission.

The advance was allowed as a war measure, it being the opinion of the commission that the request for more revenue was justified by present conditions. The following railroads will benefit by the increase: Baltimore & Ohio, Chesapeake & Ohio, Coal & Coke, Kanawha & Michigan, Kanawha & West Virginia, the Monongahela, Morgantown & Kanawha, Norfolk & Western, Pittsburgh, Cincinnati, Chicago & St. Louis, Pittsburgh & West Virginia, Virginian and Western Maryland.

**Banks Ask Amendment of Farm Loan Act**

Reorganization of Private Mortgage Institutions Would Follow, They Tell Board

WASHINGTON, Nov. 2.—Representatives of the Farm Mortgage Bankers' Association, which holds more than \$1,000,000,000 worth of farm securities, asked the Farm Loan Board to-day for assistance in amending the act to pave the way for reorganization of private farm mortgage banks as adjuncts of the farm loan system.

They told the board that the mortgage banks are prevented under the present law from becoming joint stock land banks, of which only four now exist in the entire country, by restriction of the interest rate on mortgages to 6 per cent, and the limitation of joint stock banks operation to the state in which they exist and one contiguous state.

Board members promised to take the situation under advisement. Bankers' representatives from New York, Chicago, Minneapolis, Omaha, New Orleans, Indianapolis, St. Louis, Kansas City, Wichita, Spokane, Rochester, Dallas and American, Ga., attended the conference.

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